

Sandstone City Council Meeting Minutes
June 6, 2018

CALL TO ORDER: 6:00 p.m.

ROLL CALL: Kester, Franklin, Spartz, Devlin and Palmer

Members absent: None

Staff present: Administrator George

Others present: Carl Nordquist, Althoff & Nordquist; Sheriff's Deputy Zachary Bettschen

PLEDGE OF ALLEGIANCE:

Council, guests and staff recite pledge of allegiance.

ADDITIONS OR CORRECTIONS TO THE AGENDA:

Quarry Days Requests and Old School Arts Center (OSAC) Temporary Liquor License Application were given as additions to the Agenda. **Motion Devlin, second Palmer to approve the Agenda with the additions. Motion carried 5-0.**

PETITIONS OR COMPLAINTS BY RESIDENTS AND/OR COUNCIL MEMBERS:

The first Arts in the Park event took place last night and was well attended. Clean up days in May were deemed successful and much appreciated. Sandstone Lions leaf pick-up was appreciated. Quarry Lions provided the treats for tonight's Council Meeting. There was a good turnout for the River Bluff neighborhood meeting, which proved to be very helpful for the contractor and engineer. Staff was asked to look into the City ordinance and determine whether or not the "No Smoking" signs are still necessary at the former hospital site on Court Avenue.

Since the May Council Meeting, staff received the following complaints: cars parked/obstructing view of oncoming traffic at 5th & Park (there was a family gathering taking place, but no infraction was observed); a couch, tire, plywood, and leaves not raked in neighbor's yard (improvement was seen after clean up days); ruts in gravel road in cemetery (staff graded the road); car parked too close to a hydrant (owner was contacted); resident not feeling safe in neighborhood (relayed to Sheriff); several grass complaints (letters had already been sent); kids riding ATVs, dirt bike, go-kart in unsafe manner (relayed to Sheriff).

PUBLIC HEARING / PRESENTATIONS:

Carl Nordquist – 2017 Audited Financial Statements

Nordquist was present to review the 2017 Audited Financial Statements, as follows:

- A new requirement in governmental accounting is that Tax Abatements be included in Note 1 – Summary of Accounting Policies. For 2017, the City abated property taxes totaling \$5,375.
- Note 13: Promissory Note Receivable was included in the report, noting that the City granted a promissory note to Midwest Properties of Sandstone, LLC in the amount of \$92,647. The note is deferred, without interest, until 2041. If the property is sold, assigned, conveyed, leased or transferred, the note becomes due on that date, prior to July 1, 2041. Nordquist stated that this receivable is not booked anywhere else in the report, since it is so far out into the future. This note will remain in the financial report each year until it is paid in full.
- No findings or issues were found during the audit process, with the basic financial statements presenting the financial position of the City fairly. Nordquist referred to this as a "clean audit"

opinion”. He further stated that a Single Audit was not required for 2017 since the City did not spend more than \$750,000 in federal funds.

- The Management’s Discussion and Analysis section of the audit is prepared by City Staff and provides an overview and analysis of the financial activities for the City for the year. Nordquist noted that the City receives a large portion of it’s income from Local Government Aid. If this program is cut or reduced, it will have a significant effect on the City.
- The Total Net Position of all Governmental Activities at year-end is \$5,224,889; for all Business-Type Activities it’s \$9,626,859. Overall, the Total Net Position decreased \$71,130 (0.5%) compared to 2016.
- The Pension Payable liability went from \$373,497 in 2016 to \$280,893 in 2017. Nordquist stated that the State has been adjusting the actuary tables for the retirement plans. The City does not actually owe this amount, it is merely a presentation of the City’s share of the shortage in the State program. The requirement to report these numbers came into place 3 years ago. Nordquist stated that the State pension funds are funded at about 85%, which is pretty good compared to other states.
- On the Balance Sheet, Nordquist pointed out the “Due from other funds” and the “Due to other funds” amounts, stating that these entries help to alleviate confusion. Funds cannot be presented with a negative cash balance; however, due to timing of expenditures and revenues, sometimes there are some funds at year-end with a negative cash balance. Transfers must then be made from other funds to cover the deficit.
- In the Statement of Revenues, Expenditures and Changes in Fund Balance, the General Fund had total revenues of \$1,273,647, total expenditures of \$963,553, and an ending fund balance of \$1,514,378. Nordquist stated that the City is in a good position, able to cash flow as needed when revenues don’t typically start to come in until mid-year. When asked if the fund balance is too high, Nordquist stated that he doesn’t think so. If the fund balance were 2.5 to 3 times greater than annual expenditures, then he might consider it too high. However, he noted, the City has to keep in mind there are some negative fund balances due to the new business park as the City is waiting to close out the EDA grant program.
- Nordquist reviewed the variances between the General Fund budget and actual amounts, stating that nothing stood out here. Revenues were budgeted to be \$1,224,987 and were actually \$1,273,647. Total expenditures were budgeted to be \$1,031,961 and ended up being \$963,553.
- Nordquist reviewed the Medical and Business Park Fund, noting again that the City is expecting to receive the remainder of grant funds from the Federal EDA in 2018.
- Nordquist reviewed the Wild River Apartment Fund, noting that the deficit total net position is decreasing each year. It went from (\$624,556) in 2016 to (\$468,855) in 2017, a decrease of \$155,701 (25%). He also stated that Great Lakes Management does a good job managing the properties for the City.
- Nordquist reviewed the Statement of Cash Flows for the Proprietary Funds (water, sewer, storm, Wild River). He stated that the Net Cash Provided by Operating Activities should be positive numbers, which they all are. He noted a total net increase in cash for all proprietary funds was \$332,808 (8.6%).
- Nordquist reviewed the Long-Term Debt with the Council, with the balance for Governmental Activities (various bonds) at \$650,000; and the balance for Business-Type Activities (Wild River) at \$3,225,000.
- Nordquist reviewed Capital Assets, noting decreases largely due to depreciation.
- In the Management Letter document, Nordquist reviewed the Water Fund receipts and disbursements from 2013 to 2017, noting that operating receipts were \$1,478 less than operating disbursements for the year. He suggested the Council keep an eye on this fund. For the Sewer

Fund, operating disbursements were \$43,039 more than operating receipts; however, the Sewer Fund has a healthy fund balance.

- Regarding internal controls, Nordquist stated that staff does a pretty good job segregating duties. He has no concerns.
- Overall, Nordquist stated that he had no issues or problems while performing the audit. He noted that Finance Officer Newey writes about 75% of the audit report, which is very unique. She is the only one of all the cities Nordquist works with that can do that. This saves the City quite a bit of money in terms of his annual fees.

CONSENT AGENDA:

Motion Devlin, second Palmer to approve the following Consent Agenda items:

- **Approval of Regular City Council Meeting Minutes: May 2, 2018**
- **Approval of Hiring Larry Volk – Streets & Parks Summer Helper**
- **Approval of Special Event Permit – Sandstone Flower & Garden Club**
- **Approval of Service Contract for Rental Inspection Services**
- **Quarry Days Requests: Bingo, Parade, Road Closure, Security, Toilets, Dumpsters, Trash, Street Dance, Fireworks, Sandstone Lions Club Temporary Liquor License**
- **Old School Arts Center (OSAC) Application for Temporary Liquor License**

Motion carried 5-0.

OLD & CONTINUING BUSINESS: None

NEW BUSINESS:

July Council Meeting Date

Since the regularly scheduled Council Meeting date falls on the 4th of July Holiday, **motion by Franklin, second by Devlin, to change the meeting date to Tuesday, July 10th, at 6:00 p.m. Motion carried 5-0.**

Resignation of Streets & Parks Supervisor John Mikrot

Streets & Parks Supervisor Mikrot submitted his resignation effective June 1, 2018. **Motion by Franklin, second by Devlin, to accept Mikrot's resignation with appreciation for his years of service to the City. Motion carried 5-0.** A Personnel Committee meeting will be held to discuss options / possibilities.

Flea Market & Farmer's Market

The City received Special Event Permit Applications for the Flea Market to take place on Saturdays from June 16 through October 6 at the dirt lot by the Fire Hall and for the Farmers Market to take place from July 21 through October 27 at the parking lot north of Train Park. In the past, the City has provided funds for advertising the Farmers Market and for toilets for both events. **Motion by Devlin, second by Palmer, to approve both Special Event Permits and the noted expenses. Motion carried 5-0.** The Flea Market must not block the driveway to the Fire Hall.

Local Board of Appeal and Equalization Resolution

A couple of years ago, the City Council decided to utilize the "Open Book" option for the Board of Review, which allows the County Assessor's office to directly handle any appeals of valuations and classifications of properties. Administrator George asked for discussion on whether the Council would consider taking the meeting back. Council Members expressed their dismay that the Open Book meeting was held in Rutledge, and not in Sandstone. However, there were mixed feelings on whether or not the Council wanted to hold the meeting again as they feel that they have no say in determining whether or not a property owner's valuation or classification should be changed. **Motion by Franklin, second by Palmer,**

to adopt Resolution No. 20180606-01 to establish a local board of appeal and equalization. After further discussion, Mayor Spartz called for a vote on the motion. **Franklin, Palmer, aye; Spartz, Devlin, Kester, nay. Motion failed.** Spartz and George will discuss the matter further with the County Assessor and return to the Council for continued discussion.

REPORTS:

Sheriff's Deputy Report

Deputy Zachary Bettschen was present to introduce himself. He will be the officer assigned to Sandstone for the next six months. He started with the Department last year, having previously worked in the jail. He stated that he is open and receptive to the desires of the Council and asked what is expected of him. He was asked to provide a breakdown of the types of calls he has responded to, information about larger cases that may have been dealt with, and to be visible in the community. Council Members expressed concern with traffic down at Robinson Park. They asked Bettschen to check on camping permits as well. Bettschen was informed of concerns regarding drug activity in town, as well as some property nuisance issues. He was informed that there is a Boy Scout group planning to camp in Robinson Park this weekend. Bettschen encouraged people to call 911 or the Sheriff's non-emergency number any time they have a concern.

Fire Department

No report was provided.

Library Report

Librarian Jeanne Coffey reported about 1,400 visitors in May and about 300 reference questions answered. Weekly story time has 70 kids attending. One book club continues to meet during the summer, with 10 participants. The Library is experiencing problems with the air conditioning system. Staff has been working to address the problem. The summer reading program is underway.

Park & Rec Commission Meeting – May 11, 2018

Kettle River Watershed Mural Project - The City received a grant from East Central Regional Arts Council for \$7,000 towards the Kettle River Watershed Mural Project. The grant requires a \$4,500 cash match. Previously, the Park & Rec Commission agreed to contribute \$2,250 towards the project and directed staff to contact the Sandstone Lions, the Quarry Lions, and the Sandstone Chamber to see if they were interested in each contributing \$750 for the remaining \$2,250 needed. The Sandstone Lions voted to contribute \$750. The Quarry Lions and the Sandstone Chamber both declined to participate, leaving a shortfall of \$1,500. The Park & Rec Commission recommends the City increase their contribution to a total of \$3,750 for the project. These funds would come from the Capital Improvement Fund (401) – Small Park Projects line item.

Council Members questioned why \$4,500 is needed for the cash match, when a few years ago an application was made to ECRAC for the project and it only required a \$1,500 match. Council Member Devlin and Mayor Spartz stated that they are not comfortable with this increase. **Motion by Franklin, second by Palmer, to approve the expenditure of \$3,750 for the cash match.** During discussion, it was noted that this will be a nice event for the community. Perhaps donations can continue to be solicited. Perhaps the original drawings that were framed could be used for a raffle. Mayor Spartz called for a vote on the motion. **Franklin, Palmer, Kester, Spartz, aye; Devlin, nay. Motion passed 4-1.** The Council expressed their appreciation to the Sandstone Lions for their contribution.

Other Park & Rec Commission Updates – The City is now contracting with Paul's Portables to provide regular maintenance at the vault toilets at Robinson Park. Commissioners are working on designing posters

to be displayed at the Train Park Kiosk, making it more of a point of information. The Commission is discussing the possibility of dissolving Angle Park and moving the skatepark and warming house elsewhere, dismantling the hockey rink. Arts in the Park is underway, taking place on Tuesdays in June in Train Park. Council Members were surprised to learn that music licenses are required whenever public events, such as Arts in the Park, are planned.

EDA Meeting – May 23, 2018

The EDA received a presentation from Scott Knudson, Community Partners Research, of a draft of the Housing Study. The EDA granted an extension of the due diligence period for Sandstone Development, LLC. They also approved a subordination agreement for Midwest Properties of Sandstone, LLC. EDA Member Brian Warner's resignation was approved. And various updates were provided by Staff.

PeopleService Report – April 2018

Lift Station 2, pump 1, locked up and burnt out. It had to be replaced. Manhole repairs were made on Aspen Court.

MN Dept of Health Source Water Protection Grant - The City received a quote to add a meter package to Well #1 for \$22,160 from Total Control Systems, Inc. A quote was also received from MPJ Enterprises for the necessary dirt work and piping for \$11,675. The total project cost is \$33,835. This work is necessary as part of the Wellhead Protection Plan. The City submitted a grant application to the MN Dept of Health, Source Water Protection Grant program. The grant was approved for the maximum amount of \$10,000. This brings the City's portion of the project cost down to \$23,835. **Motion by Franklin, second by Spartz, to accept the grant and further to approve the City's cost of \$23,835. Motion carried 5-0.**

Financial Reports

The Council reviewed the Cash Balance, Revenue & Expenditure Report for April and the A/P Clerk Claims for May 2, 2018. It was noted that the Storm Sewer Fund has a balance of \$178,882. Some of these funds will be used on the River Bluff project. **Motion Palmer, second Spartz to approve the financial reports and pay claims. Motion passed 5-0.**

WRITTEN NOTICES AND COMMUNICATIONS:

A note of thanks was received from Matt & Deb Ludwig for the clean up days in May.

ADMINISTRATOR'S REPORT: The Administrator reported on the following items.

Dronen Case Update

- ❖ Motion for Summary Judgment in the City's favor was heard on May 30th. The Court has 90 days to make a decision; we should hear something by the end of August.

Tax-Forfeited Properties

- ❖ The County inspected the inside of the houses; they will be appraised tomorrow.
- ❖ Administrator George asked if the Council is interested in acquiring 310 and 313 Park, in addition to the three the Council had previously approved. One is infested with black mold and the other has extensive water damage – both should be demolished. Council Members expressed concern with trying to take on too many at one time, with each needing asbestos testing and probably abatement activities. They are also concerned that someone will purchase these sub-standard properties and then rent them out. **Motion by Spartz, second by Kester, to pursue acquisition of 310 and 313 Park as well. Spartz, Kester, Franklin, Palmer, aye; Devlin, nay. Motion carried 4-1.**

Archery Hunt

- ❖ Administrator George asked if the Council is interested in offering the Archery Hunt this year. She stated that she has been informed that ever since the DNR took Sandstone off the list of possible

locations, interest has diminished greatly. Council Members had various questions about the event and asked George to gather more information and report back.

County-Wide Zoning

- ❖ County is working on adopting a county-wide zoning ordinance.
- ❖ This would not apply to the City of Sandstone, since Zoning is already in place.
- ❖ However, the Administrator has asked the County to consider some language regarding a buffer area around the City limits – encouraging the Townships and Cities to work together on development of these areas. Council Member Devlin and Mayor Spartz expressed disapproval of this request.

MCMA Conference – May 3-4

- ❖ Leadership: Communication, Cooperation, Commitment, and Change, Ethics, and Sexual Harassment in the Workplace were the main topics of the event.

Housing Institute – May 8-9

- ❖ The Pine County Housing Initiative group is using The Rock as the project example, working on identifying stakeholders.

Memorial Day Service – May 28

- ❖ Administrator George was asked to be the Speaker for the event in Sandstone.

Long Term Disaster Recovery Planning Workshop – June 2

- ❖ Mayor Spartz, Council Member Franklin, Planning Commission Members Riley and Gaede, EDA Member LaBounty, Pastor Kim Sturtz, and Administrator George attended.
- ❖ They started working on draft plan.
- ❖ The team will meet 2 or 3 times a year.

ADJOURN

Motion Devlin, second Kester to adjourn at 8:25 p.m. Motion carried 5-0.

Peter Spartz, Mayor

Kathy George, Administrator